

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-01 INR-05 L-02

NSAE-00 NSC-05 PA-01 RSC-01 PRS-01 SP-02 SS-15

USIA-06 AID-05 OMB-01 CIEP-01 IO-10 SWF-01 CEA-01

COME-00 EB-07 FRB-01 STR-01 TRSE-00 LAB-01 SIL-01

SAM-01 SAJ-01 /087 W

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R 271906Z NOV 74

FM AMEMBASSY BONN

TO SECSTATE WASHDC 6525

INFO AMEMBASSY ATHENS

USMISSION EC BRUSSELS

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E.O. 11652: N/A

TAGS: EFIN, EAID, EEC, GR, GW

SUBJECT: FRG ASSISTANCE TO GREECE; GREEK MEMBERSHIP
IN EC

REF: ATHENS 8063

1. IN DISCUSSING WITH EMBOFF REFTEL LOAN AGREEMENT,
FRG AID MINISTRY OFFICIAL DANIEL CONFIRMED REF TERMS
REMARKING THAT THEY WERE FAIRLY STANDARD FOR FRG LOANS
TO "MORE DEVELOPED COUNTRIES", WHEREAS MORE GENEROUS
TERMS USUALLY APPLY TO LDCS. INASMUCH AS LOAN
AGREEMENT WASN'T SIGNED UNTIL NOVEMBER THE DM 60 MILLION
PROVIDED FOR 1974 CAN BE ALLOCATED FOR GREEK IMPORTS
PURCHASED SINCE JULY 1, 1974. AS INDICATED REFTEL
GREECE UNDER NO OBLIGATION TO USE THIS PORTION OF
LOAN FOR PURCHASE OF GERMAN PRODUCTS. IN ADDITION
THERE IS NO RESTRICTION ON WHERE OR HOW SHE USES LOAN
FUNDS OTHER THAN THEY CANNOT BE USED FOR PURCHASE
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OF WEAPONS OR LUXURY GOODS.

2. THE BALANCE OF THE DM 180 MILLION LOAN WILL BE MADE AVAILABLE TO GREECE IN EARLY 1975 AND 1976 WITH THE PROVISION THAT IT BE SPENT ON DEVELOPMENT PROJECTS. THESE PROJECTS MUST BE APPROVED BY FRG AID MINISTRY, HOWEVER DANIEL FELT CONFIDENT THAT GREEKS WOULD COME UP WITH MORE THAN ENOUGH PROJECTS TO UTILIZE FUNDS.

3. DANIEL ADMITTED THAT THERE HAD BEEN SOME ADVERSE GREEK PRESS REACTION TO LOAN IN WHICH IT WAS DESCRIBED AS BEING TOO SMALL TO BE EFFECTIVE. HE COMMENTED THAT FRG FELT LOAN WAS SUBSTANTIAL AND WOULD GO A LONG WAY TOWARD HELPING GREECE PUT ITS ECONOMIC HOUSE IN ORDER. HE SAID THAT THE RETURN TO DEMOCRATIC RULE IN GREECE HAD MADE THE LOAN POSSIBLE AND THAT AID MINISTRY EXPERTS HAD CALCULATED THAT THE SUM OF DM 180 MILLION NOT ONLY PROVIDED AN APPROPRIATE POLITICAL GESTURE TO THE NEW REGIME BUT WAS ALSO A MEANINGFUL CONTRIBUTION TO THE GREEK ECONOMY.

4. DANIEL STATED CATEGORICALLY THAT THE FRG WOULD NOT PARTICIPATE IN ANY CONSORTIUM TO EXTEND SOME \$800 MILLION CREDIT TO GREECE AS HAD BEEN REPORTED EARLIER IN THE GREEK PRESS. HE EMPHASIZED GERMAN INTEREST IN STRENGTHENING THE GREEK ECONOMY AND PREPARING THE WAY FOR ULTIMATE GREEK MEMBERSHIP IN THE EC; HOWEVER HE FELT THAT DIRECT FRG ASSISTANCE WOULD BE LIMITED TO THE DM 180 MILLION LOAN AND PERHAPS OTHER SMALLER SPECIFIC PROJECT ASSISTANCE LOANS OVER THE NEXT SEVERAL YEARS. HE COMMENTED THAT THE AID MINISTRY BUDGET WAS FINITE AND THERE WERE NUMEROUS APPLICANTS FOR LOANS.

5. EXPANDING ON HIS COMMENT THAT THE FRG WANTED TO ASSIST GREECE TOWARD FULL MEMBERSHIP IN THE EC DANIEL STATED THAT AS FAR AS HIS MINISTRY WAS CONCERNED FULL MEMBERSHIP COULD PROBABLY BE ACHIEVED IN FROM THREE TO FIVE YEARS. HE ADMITTED THAT THERE WERE CONFLICTING VIEWS ON THIS WITHIN THE GOVERNMENT, AND THAT A GREEK APPLICATION FOR FULL MEMBERSHIP AT THIS TIME WOULD LIMITED OFFICIAL USE

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ENCOUNTER OPPOSITION FROM OTHER MEMBER COUNTRIES, NOTABLY FRANCE. NEVERTHELESS, HE FELT THAT IN THE NEXT THREE TO FIVE YEARS GREECE WOULD HAVE MADE CONSIDERABLE ECONOMIC PROGRESS AND THAT ITS STANDARD OF LIVING WOULD BE UP TO THE AVERAGE OF THAT IN THE PRESENT NINE. HE FELT ALSO THAT POLITICAL STABILITY WOULD HAVE BEEN ADEQUATELY DEMONSTRATED AND THAT THE OPTIMISTIC VIEWS THAT HE PERSONALLY HAD OF THE GREEK

FUTURE WOULD BE SHARED BY AT LEAST A MAJORITY OF THE
EC COUNTRIES.

6. ON THE SUBJECT OF GREEK MEMBERSHIP IN THE EC,
FOREIGN OFFICE OFFICIAL TRUMPF EXPRESSED MUCH MORE
CAUTIOUS VIEWS. TRUMPF FELT THAT GREECE
SHOULD NOT MAKE FORMAL APPLICATION FOR AT LEAST THREE
YEARS AND REALLY WOULD BE BETTER OFF WAITING UNTIL
AT LEAST 1980. HE SAID THE FOREIGN OFFICE ORIGINALLY

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CONSIDERED 1984 A REASONABLE ENTRY YEAR FOR GREECE;
BUT THAT IF THE GREEKS REQUESTED AN ACCELERATION OF
THE TIMETABLE CONTINUED ECONOMIC DEVELOPMENT COUPLED
WITH POLITICAL STABILITY MIGHT ALLOW THE SCHEDULE TO
BE ADVANCED TO 1980. FROM APPLICATION TO MEMBERSHIP IT
WOULD TAKE, IN TRUMPF'S ESTIMATE, AT LEAST THREE

YEARS. TRUMPF EXPLAINED THAT THE EXPANDED EC WAS STILL HAVING DIFFICULTIES INTEGRATING ITS NEWEST MEMBERS AND THAT SHOULD GREECE UNWISELY PUSH FOR IMMEDIATE CONSIDERATION OF AN APPLICATION FOR FULL MEMBERSHIP SHE WOULD BE DISAPPOINTED. TRUMPF FELT THAT ASIDE FROM GREEK INTERNAL PROBLEMS SERIOUS POLITICAL STRESSES WOULD EMERGE FROM THE STILL UNSETTLED CYPRUS QUESTION SHOULD GREECE SEEK PROMPT MEMBERSHIP.

7. COMMENT: WHILE A GOOD DEAL OF SYMPATHY TOWARDS LIMITED OFFICIAL USE

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THE NEW GREEK GOVERNMENT PREVAILS WITHIN OFFICIAL FRG CIRCLES, THE SETBACKS ALREADY ENCOUNTERED BY FRG IN ITS EFFORTS TO HARMONIZE POLICIES AMONG THE EXISTING EC-9 ARE LIKELY TO CAUSE IT TO MOVE SLOWLY ON GREEK MEMBERSHIP. THE CYPRUS ISSUE IS ALSO A MAJOR STUMBLING BLOCK.
CASH

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